

CAMFLO MINES LIMITED
CONSOLIDATED STATEMENT OF INCOME
 For the Six Months Ended June 30, 1980
 (Unaudited)

	1980	1979
Revenue		
Bullion	\$18,290,793	\$10,042,524
Coal	9,727,665	6,544,418
Petroleum and natural gas	2,580,369	1,632,852
	<u>30,598,827</u>	<u>18,219,794</u>
Operating and administrative expenses other than items set out below	17,240,857	13,624,840
Interest (including interest on long-term debt of \$2,441,109)	2,718,334	1,570,020
Depreciation, depletion and amortization	1,736,066	1,592,472
Unrealized gain (loss) on foreign exchange	113,905	(137,952)
	<u>21,809,162</u>	<u>16,649,380</u>
Gain on sale of investments	8,789,665	1,570,414
Gain on sale of other assets	1,903,276	4,351,558
Other income	—	664,150
	<u>636,983</u>	<u>357,066</u>
Income before income taxes and undernoted items	11,329,924	6,943,188
Income taxes		
Current	2,280,175	1,920,344
Deferred	3,136,000	690,000
	<u>5,416,175</u>	<u>2,610,344</u>
Income before undernoted items	5,913,749	4,332,844
Minority interest in loss of a subsidiary company	113,328	961,691
Share of loss of affiliated companies	(320,559)	(70,197)
NET INCOME	\$ 5,706,518	\$ 5,224,338
EARNINGS PER SHARE		
Net income	\$1.59	\$1.50

CAMFLO MINES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
 For the Six Months Ended June 30, 1980
 (Unaudited)

	1980	1979
WORKING CAPITAL DERIVED FROM		
Operations	\$ 8,984,661	\$ 1,576,560
Proceeds on sale of		
— investments	2,375,307	7,969,614
— other assets	—	1,000,000
Increase in long-term liabilities	11,800,883	2,817,764
Issue of capital	7,138,230	—
	<u>30,299,081</u>	<u>13,363,938</u>
WORKING CAPITAL APPLIED TO		
Increase in investment in affiliates	17,963,235	6,455,642
Petroleum and natural gas interests	3,644,079	2,585,454
Retirement of long-term liabilities	2,042,349	1,969,999
Increase in investment in and advances to other companies	3,522,647	332,345
Additions to fixed assets	1,248,927	1,768,929
Deferred exploration	1,014,097	223,705
Dividends	1,955,204	695,261
Acquisition of shares of La Luz Mine Limited	—	124,200
Other	976,505	382,832
	<u>32,367,043</u>	<u>14,538,367</u>
INCREASE IN WORKING CAPITAL DEFICIENCY	2,067,962	1,174,429
WORKING CAPITAL DEFICIENCY AT BEGINNING OF PERIOD	3,814,148	1,026,786
WORKING CAPITAL DEFICIENCY AT END OF PERIOD	\$ 5,882,110	\$ 2,201,215

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Camflo

CAMFLO MINES LIMITED

**INTERIM REPORT
TO SHAREHOLDERS**

For the Six Months ended June 30, 1980

CAMFLO MINES LIMITED

Suite 3001, South Tower
Box 45, Royal Bank Plaza
Toronto, Ontario

To the Shareholders,

Enclosed are the unaudited Consolidated Statements of Income and Changes in Financial Position for the six months ended June 30, 1980.

FINANCIAL

Consolidated Net Income was \$5,706,518 or \$1.59 per share compared with \$5,224,338 or \$1.50 per share in the first half of 1979.

Included in Net Income is a pre-tax gain on the sale of investments amounting to \$1,903,276. Results for the same period of 1979 included pre-tax gains on the sale of investments of \$4,351,558 and sale of resource properties of \$664,150.

Gold bullion revenue was \$18,290,793 averaging \$721 per ounce compared with \$10,042,524 or \$274 per ounce for the first half of 1979. Coal revenue rose to \$9,727,665 compared with \$6,544,418. Petroleum and natural gas revenue net of royalties increased to \$2,580,369 from \$1,632,852.

During the first half of 1980, additional investment in affiliated companies amounted to \$17,963,235. During this period, Camflo increased its equity ownership of United Siscoe Mines Inc. from 23.9% to 42.3% and continued to equity finance the activities of Neomar Resources Limited and Wilanour Resources Limited. In addition \$3,644,079 was invested in expanding the Company's holdings in its petroleum and natural gas interests, \$2,042,349 was used to retire long term liabilities, \$1,248,927 was applied to additions to fixed assets, \$3,522,647 to increased investment in and advances to other companies, \$1,014,097 to deferred exploration, \$1,955,204 to dividends and \$976,505 to other uses.

Funding of these activities was provided from the issue of 454,700 shares of the company valued at \$7,138,230. This includes 425,000 shares issued in exchange for 500,000 shares of United Siscoe Mines Limited as reported previously. Operations contributed \$8,984,661, proceeds from the sale of investments \$2,375,307, and new long term debt \$11,800,883. The working capital deficiency at June 30, 1980 of \$5,882,110, compares with a deficiency of \$10,733,197 at the end of the first quarter.

GOLD

In the first half of 1980, 25,363 ounces of gold were produced from 226,144 tons of ore for an average recovered grade of 0.112 ounces of gold per ton.

On July 30, 1980, shareholders of Malartic Hygrade Gold Mines (Canada) Limited ratified an agreement between Camflo and Malartic for the development at depth of Malartic's property adjoining the Camflo mine. The initial exploration hole drilled from the 2,250' level of the Camflo mine has confirmed that the Camflo porphyry ore body extends onto Malartic's property. This horizontal hole intersected 9.5' which

averaged 0.78 ounces of gold per ton on Camflo's property, then 29.5' which averaged 0.27 ounces of gold per ton on the Malartic ground.

Exploration is continuing and the results of further drilling will be made available as significant tonnages of ore are outlined.

COAL

In the first six months of 1980, the two coal mines in Ohio, in which Camflo's 58% owned subsidiary participates, sold 585,000 tons of coal compared with 467,000 tons during the same period in 1979. Operating losses continued during the first half of 1980.

Production at the Muskingum Mining Company averaged 61,000 tons per month during the second quarter. Operating costs remained high due to extra reclamation work required to reduce the current backlog.

At Crown City, production averaged 39,500 tons per month in the second quarter as the efficiency of the wash plant continued to improve. Certain problems with respect to reclamation are now resolved and conditions should be back to normal in the near future.

It is anticipated that operations will improve in the second half of the year, however continued losses are anticipated.

PETROLEUM & NATURAL GAS

During the first six months of 1980 Camflo participated in drilling 92 wells in western Canada of which 66 were completed as potential producers. Most of the successful wells are in a gas contract area and will be in production by the end of this year.

In the United States, the company participated in drilling two wells. One well has been completed as a natural gas producer and the other one is currently being tested.

MINERAL EXPLORATION

Queenston Gold Mines Limited — Pandora Property, Quebec

On the Pandora property located in the Malartic area of Northwest Quebec, 67 holes have been completed to date for a total of 38,000 feet of diamond drilling. With three diamond drills in operation, two have been concentrating on defining mineralized structures along the strike to the east and west of the number three shaft. The third drill has been continuing with reconnaissance drilling on the eastern section of the property.

Construction of the mine office has been completed. A 115 foot steel head frame with a 600 ton ore bin and ancillary hoisting facilities are now under construction.

Wilanour Resources Limited — Red Lake Area

The initial phase of the general surface exploration program on the main claim groups is almost complete. Correlation of this work with the existing underground information is proceeding well and surface drilling is being used to complement the work.

Surface drilling of the granodiorite zone on the Wilmar property continues to give positive results. The dewatering program is making good progress and by the end of July the water level had been lowered to a depth of 500 feet. At the current rate of dewatering, underground exploration will commence early this fall.

Camflo has recently entered into further agreements with the companies involved in the Red Lake program to provide up to an additional \$2,000,000 of equity financing. Under these arrangements, Camflo can increase its equity in Neomar to 63.5% and Wilanour to 55.8%. These agreements are subject to the approval of regulatory authorities.

Iberian Explorations — Spain

Iberian Explorations has started drilling the Valencia de los Torres property and plans call for additional drilling on the Santa Leocadia property to commence the first week in September this year.

In the Rosalejo area, drifting on the "Begonia" vein has been extended for a length of approximately 120 feet. The work is progressing slowly because of water problems, however, this is being rectified with additional pumps.

Continuous and various sampling methods have been used to determine the tenor of the silver, lead and zinc mineralization. Combined assay results obtained to date have been described as very encouraging. The vein varies between one and two metres in width.

Potash Project — Western Newfoundland

The second drill hole has been completed on the Newfoundland potash property to a depth of 2,106 feet. This hole is located approximately one half mile east of the number one hole. The grade encountered in the first hole is considered marginal and the core from the second hole is being analyzed.

UNITED SISCOE MINES INC.

Geothermal Energy

In early July, 1980, United Siscoe through its subsidiary, Geothermal Kinetics Inc., completed the Mercer #2-28 well located in the South Brawley area of the Imperial Valley, California, to a depth of 13,398 feet. Formal testing is scheduled to commence early in September. The initial flow results indicate that this well is equivalent to or better than the Mercer #1-28 well, the original discovery hole drilled in March, 1979. The initial flow test from this second well confirms the presence of a major geothermal resource.

Gold

The Pinson gold prospect, in which Siscoe has a 26 1/4% interest, is within budget and on schedule for an early 1981 startup. Plans call for a 1,000 tons per day operation.

Your management continues to look to the future with confidence.

R. E. Fasken
Chairman
August 21, 1980

R. M. Smith
President

Camflo plan

Neomar Resources Ltd., Wilanour Resources Ltd. and Consolidated Marcus Gold Mines Ltd. have entered an agreement with Camflo Mines Ltd. that will provide up to \$1.5-million for further development of the Wilmar gold property near Red Lake, Ont., and \$500,000 for work on the adjoining Marcus property. The companies are all based in Toronto.

The Wilmar property is 65 per cent owned by Wilanour and 35 per cent by Neomar.

Under the agreements, Camflo will receive 210,715 treasury shares of Wilanour, 125,000 treasury shares of Neomar and the tax deductibility of the expenditures. Wilanour will receive 400,000 treasury shares of Marcus, increasing its holding to 71 per cent from 67. The agreements are subject to regulatory approval.

The Wilmar gold mine was closed late in 1971. Dewatering at the property is under way with underground exploration to follow, the companies said. Recent surface drilling at depths below 500 feet intersected 25 feet of 0.13 of an ounce of gold a ton, five feet of 0.53 of an ounce of gold a ton and 10 feet that averaged 0.28 of an ounce of gold a ton.

from a year earlier.

Currency and all chequable deposits (M-1B) came to \$32.82-billion, down \$23-million from a week earlier but up \$1.14-billion from a year earlier.

Currency and all chequable notice and personal term deposits (M-2) reached \$100.09-billion, up \$173-million from a week earlier and up \$15.1-billion from the previous year.

Currency and all chequable notice and term deposits plus foreign currency deposits of residents booked at chartered banks in Canada (M-3) totalled \$144.9-billion, down \$394-million from a week earlier but up \$16.79-billion from a year earlier.

Government of Canada cash balances as of Aug. 27 totalled \$2.5-billion, up \$263-million from last week but down \$545-million from last year.

Canada Savings Bonds outstanding as of Aug. 27 were worth \$16.34-billion, down \$17-million from a week earlier and down \$2.33-billion from a year earlier.

Bank of Canada treasury bill holdings on Aug. 27 totalled \$4.9-billion, up \$91-million and up \$415-million.

The Bank of Canada's